

Trinity Basin Preparatory, Inc. and Affiliate

**Consolidated Financial Statements
with Supplemental Information and Compliance
Reports August 31, 2023 and 2022**



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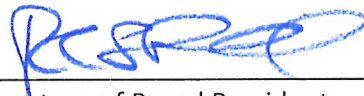
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Trinity Basin Preparatory, Inc. and Affiliate
Federal Employer Identification No. 31-1614490
County District No. 057-813
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Trinity Basin Preparatory, Inc. and Affiliate was reviewed and (check one) ☒ approved ___ disapproved for the year ended August 31, 2023, at a meeting of the governing body of the charter school on the 22nd day of January 2024.



Signature of Board Secretary



Signature of Board President



Independent Auditors' Report

To the Board of Directors of
Trinity Basin Preparatory, Inc. and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Trinity Basin Preparatory, Inc. and Affiliate (School) (nonprofit organizations), which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the School as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The Affiliate was not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
January 22, 2024

Trinity Basin Preparatory, Inc. and Affiliate
Consolidated Statements of Financial Position
August 31, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 11,358,171	\$ 18,861,414
Restricted cash and cash equivalents	795,367	462,953
Investments	10,598	921,058
Government grants receivable	10,069,704	6,327,684
Prepaid expense	507,144	471,842
Total current assets	22,740,984	27,044,951
Non-current assets:		
Other assets	26,452	26,452
Property and equipment, net	214,109,145	122,088,887
Note receivable - new market tax credit	6,058,000	6,058,000
Right-of-use assets - operating leases, net	409,713	-
Total non-current assets	220,603,310	128,173,339
Total assets	<u>\$ 243,344,294</u>	<u>\$ 155,218,290</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 5,493,411	\$ 2,946,304
Accrued wages	5,900,000	3,599,999
Accrued expenses	189,773	105,081
Refundable advance	36,513	36,513
Deferred rent	-	40,000
Long-term debt, current portion	1,445,000	1,385,000
Right-of-use liabilities - operating leases, current portion	386,506	-
Total current liabilities	13,451,203	8,112,897
Long-term liabilities:		
Deferred rent, net	-	50,000
Lines of credit, net	16,000,000	40,000,000
Long-term debt - new market tax credit, net	8,013,143	7,999,361
Long-term debt, net	168,111,627	62,324,217
Right-of-use liabilities - operating leases, net	75,516	-
Total long-term liabilities	192,200,286	110,373,578
Total liabilities	205,651,489	118,486,475
Net assets:		
Without donor restrictions	11,179,996	10,037,192
With donor restrictions	26,512,809	26,694,623
Total net assets	37,692,805	36,731,815
Total liabilities and net assets	<u>\$ 243,344,294</u>	<u>\$ 155,218,290</u>

See notes to consolidated financial statements.

Trinity Basin Preparatory, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Local support:			
5740 Other revenue from local sources	\$ 1,101,211	\$ -	\$ 1,101,211
5750 Food service activity and enterprising services revenue	41,593	-	41,593
Total local support	1,142,804	-	1,142,804
State program revenue:			
5811 Per Capita Apportionment	-	2,324,627	2,324,627
5812 Foundation School Program	-	48,626,436	48,626,436
5820 State Program Revenues Distributed by TEA	-	1,151,147	1,151,147
Total state program revenue	-	52,102,210	52,102,210
Federal program revenue:			
5921 National school breakfast and lunch program	-	3,434,777	3,434,777
5929 Federal revenues distributed by TEA	-	11,007,868	11,007,868
5932 Medicaid administration claiming program	-	20,745	20,745
Total federal program revenue	-	14,463,390	14,463,390
Net assets released from restrictions- satisfaction of program restrictions	66,747,414	(66,747,414)	-
Total revenue and support	67,890,218	(181,814)	67,708,404
Expenses:			
11 Instruction	38,516,135	-	38,516,135
12 Instruction resources and media services	296,763	-	296,763
13 Curriculum development and instructional staff development	1,000,251	-	1,000,251
21 Instructional leadership	1,428,138	-	1,428,138
23 School leadership	2,896,232	-	2,896,232
31 Guidance, counseling, evaluation services	1,302,594	-	1,302,594
33 Health services	492,398	-	492,398
35 Food services	3,598,270	-	3,598,270
36 Extracurricular activities	609,883	-	609,883
41 General administration	3,259,401	-	3,259,401
51 Facilities maintenance and operations	6,804,292	-	6,804,292
52 Security	870,008	-	870,008
53 Data processing services	1,603,770	-	1,603,770
61 Community services	223,472	-	223,472
71 Debt service	3,745,767	-	3,745,767
81 Fundraising	100,040	-	100,040
Total expenses	66,747,414	-	66,747,414
Change in net assets	1,142,804	(181,814)	960,990
Net assets at beginning of year	10,037,192	26,694,623	36,731,815
Net assets at end of year	\$ 11,179,996	\$ 26,512,809	\$ 37,692,805

See notes to consolidated financial statements.

Trinity Basin Preparatory, Inc. and Affiliate
Consolidated Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Local support:			
5740 Other revenue from local sources	\$ 600,332	\$ -	\$ 600,332
5750 Food service activity and enterprising services revenue	10,216	-	10,216
Total local support	610,548	-	610,548
State program revenue:			
5811 Per Capita Apportionment	-	2,279,199	2,279,199
5812 Foundation School Program	-	42,018,652	42,018,652
5820 State Program Revenues Distributed by TEA	-	207,868	207,868
5830 State Revenues from State of Texas Governmental Agencies	-	3,063	3,063
Total state program revenue	-	44,508,782	44,508,782
Federal program revenue:			
5921 National school breakfast and lunch program	-	2,790,463	2,790,463
5929 Federal revenues distributed by TEA	-	9,118,416	9,118,416
5931 School health services	-	186,394	186,394
5932 Medicaid administration claiming program	-	6,766	6,766
5939 Federal revenues distributed by State of Texas Government Agencies (other than the Texas Education Agency)	-	205,184	205,184
Total federal program revenue	-	12,307,223	12,307,223
Net assets released from restrictions- satisfaction of program restrictions	52,008,575	(52,008,575)	-
Total revenue and support	52,619,123	4,807,430	57,426,553
Expenses:			
11 Instruction	29,160,572	-	29,160,572
12 Instruction resources and media services	89,698	-	89,698
13 Curriculum development and instructional staff development	1,251,935	-	1,251,935
21 Instructional leadership	1,341,862	-	1,341,862
23 School leadership	2,306,860	-	2,306,860
31 Guidance, counseling, evaluation services	1,219,125	-	1,219,125
33 Health services	428,721	-	428,721
35 Food services	2,752,779	-	2,752,779
36 Extracurricular activities	283,613	-	283,613
41 General administration	2,559,970	-	2,559,970
51 Facilities maintenance and operations	5,501,285	-	5,501,285
52 Security	635,794	-	635,794
53 Data processing services	1,408,428	-	1,408,428
61 Community services	233,289	-	233,289
71 Debt service	2,729,063	-	2,729,063
81 Fundraising	105,581	-	105,581
Total expenses	52,008,575	-	52,008,575
Change in net assets	610,548	4,807,430	5,417,978
Net assets at beginning of year	9,426,644	21,887,193	31,313,837
Net assets at end of year	\$ 10,037,192	\$ 26,694,623	\$ 36,731,815

See notes to consolidated financial statements.

Trinity Basin Preparatory, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 960,990	\$ 5,417,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,582,021	4,378,955
Amortization of debt issuance costs	157,773	113,459
Amortization of bond premium	(636,574)	(523,884)
Amortization of right-of-use assets - operating leases	325,042	-
Changes in operating assets and liabilities:		
Government grants receivable	(3,742,020)	(2,144,572)
Prepaid expense	(35,302)	(309,308)
Accounts payable and accruals	4,931,800	1,285,571
Refundable advance	-	36,513
Deferred rent	(40,000)	(138,500)
Right-of-use liabilities - operating leases	(322,733)	-
Net cash provided by operating activities	6,180,997	8,116,212
Cash flows from investing activities:		
Purchases of property and equipment	(48,886,494)	(37,668,625)
Purchases of investments	-	(5,557)
Sales of investments	910,460	-
Net cash used by investing activities	(47,976,034)	(37,674,182)
Cash flows from financing activities:		
Proceeds from lines of credit	6,000,000	40,000,000
Payments on lines of credit	(30,000,000)	(4,550,000)
Net proceeds from issuance of long-term debt	60,009,248	-
Payments on long-term debt	(1,385,040)	(1,330,000)
Net cash provided by financing activities	34,624,208	34,120,000
Net change in cash and cash equivalents	(7,170,829)	4,562,030
Cash and cash equivalents at beginning of year	19,324,367	14,762,337
Cash and cash equivalents at end of year	\$ 12,153,538	\$ 19,324,367
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,380,059	\$ 3,141,167
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 734,755	\$ -
Property and equipment acquired through assumption of debt	\$ 47,715,785	\$ -
Reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within then consolidated statements of financial position to the consolidated statements of cash flows :		
Cash and cash equivalents	\$ 11,358,171	\$ 18,861,414
Restricted cash and cash equivalents	795,367	462,953
Total cash and cash equivalents and restricted cash and cash equivalents shown in the consolidated statements of cash flows	\$ 12,153,538	\$ 19,324,367

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

1. Organization and Nature of Activities

Trinity Basin Preparatory, Inc. (TBP) operates under an open enrollment charter granted by the State of Texas Board of Education. The original charter was issued for the period October 1, 1998 to July 31, 2003. The charter was last renewed July 31, 2023 and now expires July 31, 2033. The charter is subject to review and renewal prior to expiration. TBP is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's available school fund. TBP does not have the authority to impose ad valorem taxes or to charge tuition. TBP operates under a single charter and does not conduct any non-charter activities. Trinity Basin Preparatory provides a safe, disciplined learning environment for students in grades Pre K3 through 12th at four locations in Oak Cliff, three in Forth Worth, and one in Mesquite. Enrollment was over 4,185 students during the 2021/2022 school year and is currently over 4,761 students for the 2022/2023 school year.

During the year ended August 31, 2023, TBP took over operations of the High Point Academy charter school (HPA). In July 2023, TBP assumed HPA's bonds in exchange for HPA's property and equipment. A detail list of the assets and liabilities assumed in the acquisition of HPA is as follows:

Buildings	\$ 43,714,947
Land	4,000,838
Long-term debt, net	<u>(47,715,785)</u>
	<u>\$ -</u>

TBP Panola Project, Inc. (Project) is a Texas nonprofit corporation formed on November 16, 2018. The purpose of Project is to work with TBP to secure benefits of New Market Tax Credit (NMTC) financing. The board of directors of TBP elects the board of directors of Project. TBP and Project are collectively referred to herein as the School.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of TBP and Project. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Consolidated Financial Statement Presentation

The School prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor or grantor imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors or limited in other respects, such as by contract.

Net assets with donor restrictions - Net assets subject to donor or grantor stipulations that will be met by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and cash equivalents, investments and government grants receivable. The School maintains cash balances at various high credit, quality financial institutions. The balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2023, the School's uninsured bank balances totaled \$10,929,086. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Government grants receivable are unsecured and are due mainly from the Texas Education Agency. The School continually evaluates the collectability of receivables and maintains allowances as necessary. No provision has been made for uncollectible receivables as of the statement of financial position date, given that none have been identified.

For the years ended August 31, 2023 and 2022, the School received approximately 98% of its total revenue and support from governmental agencies.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less.

Restricted Cash Equivalents

Indenture requirements of bond financing (see Note 3) provide for the establishment and maintenance of various bank accounts with trustees. The indenture terms limit the use of these funds to the construction of educational facilities and payment of principal and interest to bond holders. Restricted cash equivalents consists of U.S. government money market funds and are recorded at cost, which approximates fair value.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

Investments

Public fund investment pools are stated at fair value. Investment return is reported in the consolidated statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends net of external and direct internal investment expenses.

Debt Issuance Costs and Original Issue Premiums

Debt issuance costs and original issue discounts or premiums represent costs incurred related to the issuance of bonds payable and are deferred as a direct deduction from or addition to the carrying amount of bonds payable. Debt issuance costs are amortized on a straight-line basis and premiums and discounts are amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying consolidated statements of activities.

Note Receivable – New Market Tax Credit

The note receivable – new market tax credit (NMTC) is collateralized by the membership interests related to the NMTC transaction (see Notes 4 and 7) and is stated at the principal amount. The School has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the NMTC note receivable based on indicators such as collateralization and collection experience. During the years ended August 31, 2023 and 2022, no allowance had been established.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair market value, if donated. Assets with a cost of \$5,000 or more and an expected life greater than one year are capitalized. Depreciation of property and equipment is calculated on a straight-line method over the estimated useful lives of 3 to 30 years. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Construction in progress will not be depreciated over the useful lives of the respective assets until they are ready for their intended use. Interest expense on debt issued for construction projects is capitalized until the projects are placed in service.

Property and equipment acquired with public funds received for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code. For depreciable property and equipment purchased with donor or grantor resources, the donor or grantor restriction expires over the assets' useful lives as required by the grantor agency.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

The School reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. There were no indications of asset impairment during the years ended August 31, 2023 and 2022.

Revenues and Support

The School considers all government grants and contracts to be contributions. The School recognizes revenue from government grants and contracts, as eligible expenditures are incurred. Revenues from the State are earned based on students' daily attendance. Advances from government agencies are recorded as deferred revenues if the monies are conditioned on an action or future event. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with the terms of the grant or contract. Contributions of donated noncash assets are recorded at the estimated fair value in the period the unconditional commitment is received. The related expense is recognized as the item is used.

Contributed Services and Assets

Contributed services are recognized in the accompanying consolidated financial statements at fair value if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the School. No donated services were utilized that met the criteria to be recorded as revenue in the School's consolidated financial statements.

Federal Income Taxes

TBP and the Project are exempt from federal income taxes under Section 501(c)(3) and Section 501(c)(2), respectively of the Internal Revenue Code (Code) and are not private foundations as defined in the Code. Income generated from activities unrelated to the School's exempt purposes is subject to tax under Code Section 511. The School had no unrelated business income for the years ended August 31, 2023 and 2022. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

GAAP requires the evaluation of tax positions taken in the course of preparing the School's tax returns and recognition of a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the School, and has concluded that as of August 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncement Adopted

The School adopted ASU 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The School elected to adopt the transition relief provisions from ASU 2016-02 and recorded the impact of adoption as of September 1, 2022, using the retrospective method resulting in the recording of right-of-use assets and liabilities totaling \$734,755. No changes were required to net assets as of September 1, 2022.

3. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are restricted as follows at August 31:

	2023	2022
Restricted for debt service	\$ 75,498	\$ -
Restricted by NMTC agreements	719,869	462,953
	<u>\$ 795,367</u>	<u>\$ 462,953</u>

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

4. Note Receivable – New Market Tax Credit

The School entered into an agreement in November 2018 to lend \$6,058,000 to COCRF Investor 143 Investment Fund, LLC (Capital One NMTC Fund). The note is secured by Capital One NMTC Fund's membership interest in two community development entities, COCRF SubCDE 81, LLC and Partnerships of Hope XXVI, LLC. The interest rate on the note is fixed at 1%. Interest is due quarterly beginning December 2018 until December 2025 at which time principal and interest payments of \$87,622 are due quarterly with all unpaid principal and interest due upon maturity on November 15, 2044.

Maturity of the note receivable is as follows for the years ending August 31:

2024	\$	-
2025		-
2026		181,555
2027		292,819
2028		295,758
Thereafter		<u>5,287,868</u>
	\$	<u><u>6,058,000</u></u>

5. Fair Value Measurements

The requirements of Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements and Disclosures also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels.

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are observable, other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities, such as pricing models and discounted cash flow methodologies.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

Level 3: Inputs are unobservable, are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Public Fund Investment Pools

All of the School's investments are held in public fund investment pools. These investments are reported at the net asset value per unit, which approximates fair value, using the amortized cost method. These investments use net asset value as a practical expedient and are not categorized in the fair value hierarchy. At August 31, 2023 and 2022, the public investment pool accounted for 100% of total investments held by the School.

6. Property and Equipment

Property and equipment consist of the following at August 31:

	2023	2022
Land	\$ 24,083,246	\$ 19,939,454
Buildings and improvements	162,567,365	89,719,066
Furniture and equipment	14,965,390	9,693,105
Vehicles	499,493	275,386
Construction in process	29,838,974	15,725,177
	231,954,468	135,352,188
Less accumulated depreciation	(17,845,323)	(13,263,301)
	<u>\$ 214,109,145</u>	<u>\$ 122,088,887</u>

Depreciation expense for the years ended August 31, 2023 and 2022 totaled \$4,582,021 and \$4,378,955, respectively.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

7. Long-Term Debt

The following is a summary of changes in the School's long-term debt for the year ended August 31, 2023:

	Interest Rate	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:						
Series 2014 A	3.25 - 5.00%	\$ 25,885,040	\$ -	\$ (729,976)	\$ 25,155,064	\$ 770,000
Series 2020	3.00 - 5.00%	34,410,000	-	(655,064)	33,754,936	675,000
Series 2022	4.00 - 5.00%	-	61,915,000	-	61,915,000	-
Series 2022	6.00 - 8.25%	-	47,715,785	-	47,715,785	-
Total bonds payable		60,295,040	109,630,785	(1,385,040)	168,540,785	1,445,000
Bond premiums		5,748,985	491,535	(636,574)	5,603,946	-
Debt issuance costs		(2,334,809)	(2,397,287)	143,991	(4,588,105)	-
Total bonds payable, net		63,709,216	107,725,033	(1,877,623)	169,556,626	1,445,000
Lines of credit		40,000,000	6,000,000	(30,000,000)	16,000,000	-
Notes payable - new market tax credit	1%	8,360,000	-	-	8,360,000	-
Debt issuance costs		(360,638)	-	13,782	(346,856)	-
Total notes payable, net - new market tax credit		7,999,362	-	13,782	8,013,144	-
Total		\$ 111,708,578	\$ 113,725,033	\$ (31,863,841)	\$ 193,569,770	\$ 1,445,000

The following is a summary of changes in the School's long-term debt for the year ended August 31, 2022:

	Interest Rate	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:						
Series 2014 A	3.25 - 5.00%	\$ 26,580,040	\$ -	\$ (695,000)	\$ 25,885,040	\$ 730,000
Series 2020	3.00 - 5.00%	35,045,000	-	(635,000)	34,410,000	655,000
Total bonds payable		61,625,040	-	(1,330,000)	60,295,040	1,385,000
Bond premiums		6,272,869	-	(523,884)	5,748,985	-
Debt issuance costs		(2,434,486)	-	99,677	(2,334,809)	-
Total bonds payable, net		65,463,423	-	(1,754,207)	63,709,216	1,385,000
Lines of credit		4,550,000	40,000,000	(4,550,000)	40,000,000	-
Notes payable - new market tax credit	1%	8,360,000	-	-	8,360,000	-
Debt issuance costs		(374,420)	-	13,782	(360,638)	-
Total notes payable, net - new market tax credit		7,985,580	-	13,782	7,999,362	-
Total		\$ 77,999,003	\$ 40,000,000	\$ (6,290,425)	\$ 111,708,578	\$ 1,385,000

Bonds Payable

In July 2023, the School completed a transaction in which it assumed \$47,715,785 in bonds originally issued by the Arlington Higher Education Finance Corporation (AHEFC) to HPA. BOKF, N.A is the trustee for the bonds. The bonds are collateralized by a pledge of revenues of the School and are guaranteed by the Permanent School Fund of the State of Texas. The balances outstanding on the Series 2022 Bonds totaled \$47,715,785 at August 31, 2023. The bonds were paid off in September 2023 (See Note 15).

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

In December 2022, the School completed a transaction in which the AHEFC issued \$61,915,000 Series 2022A and 2022B Education Revenue Bonds (Series 2022 Bonds) and loaned the proceeds to the School. Wilmington Trust is the trustee for the bonds. The Series 2022 Bonds are collateralized by a pledge of revenues of the School and are guaranteed by the Permanent School Fund of the State of Texas. The balances outstanding on the Series 2022 Bonds totaled \$61,915,000 at August 31, 2023.

In August 2020, the School completed a transaction in which the AHEFC issued \$35,545,000 Series 2020 Education Revenue Bonds (Series 2020 Bonds) and loaned the proceeds to the School to purchase and construct certain educational facilities. Wilmington Trust is trustee for the bonds. The bonds are collateralized by a pledge of revenues of the School and are guaranteed by the Permanent School Fund of the State of Texas. The balances outstanding on the Series 2020 Bonds totaled \$33,754,936 and \$34,410,000 at August 31, 2023 and 2022, respectively.

In August 2014, the School completed a transaction in which the AHEFC issued \$29,055,000 Series 2014A Education Revenue Bonds (Series 2014 Bonds) and loaned the proceeds to the School. Wilmington Trust is trustee for the bonds. The Series 2014 Bonds are parity debt under the Master Indenture but are not secured by a deed of trust. The Series 2014 Bonds are collateralized by a pledge of revenues of the School and are guaranteed by the Permanent School Fund of the State of Texas. The balances outstanding on the Series 2014 Bonds totaled \$25,155,040 and \$25,885,040 at August 31, 2023 and 2022, respectively.

The loan agreements, Master Trust Indenture and the Supplemental Master Trust Indenture for the Series 2022 Bonds, Series 2020 Bonds and Series 2014 Bonds establishes a debt service coverage ratio, which stipulates that available revenues for each fiscal year must be equal to at least 1.00 times the annual debt service of the School (1.10 if cash on hand is less than 60 days) until the individual bonds or notes have been paid in full. During the years ended August 31, 2023 and 2022, the School was in compliance with this covenant and all other applicable covenants contained in the loan agreements, Master Trust Indenture and the Supplemental Master Trust Indenture.

Trinity Basin Preparatory, Inc. and Affiliate
Notes to Consolidated Financial Statements

The required debt service payments of the long-term debt to satisfy the requirements of the bonds are as follows for the years ending August 31:

	Principal	Interest	Total
2024	\$ 1,445,000	\$ 8,413,981	\$ 9,858,981
2025	2,630,000	8,341,731	10,971,731
2026	3,155,000	8,198,531	11,353,531
2027	3,505,000	8,030,581	11,535,581
2028	4,025,000	9,021,668	13,046,668
2029-2033	23,455,000	41,538,664	64,993,664
2034-2038	31,255,000	33,965,269	65,220,269
2039-2043	39,195,000	24,370,062	63,565,062
2044-2048	41,825,825	11,273,527	53,099,352
2049-2052	18,049,960	1,790,839	19,840,799
	<u>\$ 168,540,785</u>	<u>\$ 154,944,853</u>	<u>\$ 323,485,638</u>
Total	<u>\$ 168,540,785</u>	<u>\$ 154,944,853</u>	<u>\$ 323,485,638</u>

Lines of Credit

The School had a line of credit agreement with a bank whereby it could borrow up to \$20,000,000, with interest due at the daily LIBOR rate plus 2.00%. Interest payments were due monthly with principal due upon maturity on August 22, 2022. As of August 31, 2021, \$4,550,000 in advances were outstanding on the line of credit. The line was paid in full during the year ended August 31, 2022. The line was collateralized under the Master Trust Indenture.

During the year ended August 31, 2023, the School obtained a line of credit agreement with a bank whereby it may borrow up to \$60,000,000, with interest due monthly at 7.34%. Interest payments are due monthly with principal due upon maturity on October 20, 2024. As of August 31, 2023 and 2022, \$16,000,000 and \$40,000,000 in advances were outstanding on the line of credit, respectively. The line is collateralized under the Master Trust Indenture. Subsequent to year end, the line of credit agreement was paid off in conjunction with the refinancing detailed in Note 15.

New Market Tax Credit Financing

On November 16, 2018, the School entered into a NMTC financing transaction to finance the construction of a new school. As part of the transaction, the School made a loan of \$6,058,000 to Capital One Community Renewal Fund Investor 143, LLC (Investment Fund). The loan is due November 15, 2044 and carries an annual interest rate of 1% (see Note 4).

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

In conjunction with the School's loan, Capital One, N.A. (NMTC Investor), a Delaware corporation, contributed \$1,152,000 to the Investment Fund. The NMTC Investor will receive tax credits in return for its investment in the Investment Fund. The Investment Fund used the collective proceeds from the School and the NMTC Investor to fund two Community Development Entities (CDE), COCRF SubCDE 81, LLC and Partnerships of Home XXVI, LLC.

The School entered into a \$6,860,000 loan agreement with Partnerships of Hope XXVI (POH). The loan consists of two tranches, Loan A in the amount of \$5,026,000 and Loan B in the amount of \$1,834,000, both of which have an interest rate of 1.084% per annum. The School also entered into a \$1,500,000 loan agreement with COCRF SubCDE 81, LLC. The loan consists of two tranches, Loan A in the amount of \$1,032,000 and Loan B in the amount of \$468,000, both of which have an interest rate of 1.084% per annum. Interest payments are due and payable annually, in arrears, beginning March 10, 2020 to POH. Commencing on December 10, 2025, annual payments of principal and interest in the amount of \$411,139 are due in arrears until maturity. The loan matures on November 15, 2048. The loan is secured by a deed of trust, security agreement, assignment of rents and leases and financing statement on the Project property.

The NMTCs were allocated in this transaction pursuant to Section 45D of the IRC. After the seven-year NMTC compliance period expires, it is anticipated that the NMTC Investor will exercise its put option to sell its ownership interest in the Investment Fund to the School for \$1,000. If the NMTC Investor does not exercise that put option then the put and call agreement allows the School to exercise a call option to purchase the interest in the Investment Fund at an appraised fair value. Immediately after the exit transactions are completed, the School will be the holder of the Investment Fund's note payable and, as such the loan will be eliminated in the consolidated financial statements. It is anticipated that the loans will be discharged.

Future maturities are as follows for the years ending August 31:

	Bonds Payable	Line of Credit	Notes Payable - New Market Tax Credit	Total
2024	\$ 1,445,000	\$ -	\$ -	\$ 1,445,000
2025	2,630,000	16,000,000	-	18,630,000
2026	3,155,000	-	200,781	3,355,781
2027	3,505,000	-	324,044	3,829,044
2028	4,025,000	-	327,571	4,352,571
Thereafter	153,780,785	-	7,507,604	161,288,389
	<u>\$ 168,540,785</u>	<u>\$ 16,000,000</u>	<u>\$ 8,360,000</u>	<u>\$ 192,900,785</u>

Interest expense on all long-term debt and lines of credit for the years ended August 31, 2023 and 2022, totaled \$4,380,059 and \$2,729,063, respectively.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent resources received from the State to be used under management's discretion for educational purposes.

9. Contributions of Nonfinancial Assets

The School received \$141,261 and \$117,565 of commodities during the years ended August 31, 2023 and 2022, respectively. Contributed commodities are reported at the fair market value of the commodities. These contributed nonfinancial assets were utilized for program services. There were no donor restrictions on these contributions.

10. Multi-employer Defined Benefit Pension Plan

Plan Description

The School's full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multi-employer, defined benefit pension plan. All risks and costs are not shared by the School, but are the liability of the State.

Funding Policy

Plan members contributed 8% of their annual covered salary in 2023. The School contributes 8% for new members of the first 90 days of employment, and the State contributes 8%. Additionally, the School makes a 1.8% non-OASDI payment for all TRS eligible employees. The School contributions do not represent more than 5% of the TRS' total contributions. For the years ended August 31, 2023 and 2022, the School contributed \$2,229,718 and \$1,653,141 to TRS, respectively.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal year ended for TRS of August 31, 2022 and 2021, were \$208 billion and \$223 billion, respectively. Accumulated benefit obligation as of August 31, 2022 and 2021, was \$244 billion and \$227 billion, respectively. The plan was 75.62% and 88.79% funded as of August 31, 2022 and 2021, respectively.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

11. Health Care Coverage

During the years ended August 31, 2023 and 2022, eligible participants of the School were covered by the TRS Active Employee Health Insurance Plan. The School contributed \$310 per month per participant for the period from September 1, 2022 to August 31, 2023 and \$429 per month for participant for the period from September 1, 2021 to August 31, 2022 to the plan. Participants, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

12. Leases

In evaluating its contracts, the School separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office and educational spaces. The School has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The School determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The School uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the School uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the School is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The School has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

Nature of Leases

The School has entered into multiple operating lease arrangements for real estate space. The leases expire through December 31, 2025. The leases note different renewal options that will be utilized and require the School to pay all executory costs (maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

Future minimum lease payments under the leases are as follows for the years ending August 31:

2024	\$ 394,101
2025	57,573
2026	<u>19,373</u>
Total future discounted lease payments	471,047
Less present value discount	<u>(9,025)</u>
Right-of-use lease liability, net	<u><u>\$ 462,022</u></u>

The following lease cost and required information for the year ended August 31, 2023:

Total lease cost	<u><u>\$ 381,566</u></u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Cash flows from operating leases	<u><u>\$ 322,733</u></u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u><u>\$ 734,755</u></u>
Weighted-average remaining lease term:	
Operating leases	<u><u>1.37 years</u></u>
Weighted-average discount rate:	
Operating leases	<u><u>3%</u></u>

13. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or management and general or fundraising. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the School exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Trinity Basin Preparatory, Inc. and Affiliate

Notes to Consolidated Financial Statements

Expenses that are attributable to one or more functional classifications are allocated among the activities benefited. Salaries and related costs are charged directly either to program services, fundraising or administration based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on whether the costs are associated with instructional campuses (program services) or with administrative buildings.

The School's expenses by natural classification and function are as follows for the year ended August 31, 2023:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Total
Program Services:						
Instructional and instructional related services	\$ 31,305,794	\$ 1,791,432	\$ 1,824,432	\$ 4,891,291	\$ 2,222,547	\$ 42,035,496
Instructional and school leadership	1,428,138	-	-	-	79,662	1,507,800
Support services - student based	3,124,931	634,580	2,210,184	33,650	334,867	6,338,212
Support services - nonstudent based	1,783,817	5,003,704	880,262	462,745	449,445	8,579,973
Community services	146,453	15,933	61,086	-	12,465	235,937
Total program services	37,789,133	7,445,649	4,975,964	5,387,686	3,098,986	58,697,418
Support Services:						
Management and general:						
Instructional and school leadership	2,896,232	-	-	-	161,552	3,057,784
Administrative support services	2,660,933	311,869	97,803	188,796	181,252	3,440,653
Support services - nonstudent based	363,316	124,236	659,990	-	298,397	1,445,939
Fundraising	100,040	-	-	-	5,580	105,620
Total support services	6,020,521	436,105	757,793	188,796	646,781	8,049,996
Total expenses	\$ 43,809,654	\$ 7,881,754	\$ 5,733,757	\$ 5,576,482	\$ 3,745,767	\$ 66,747,414

The School's expenses by natural classification and function are as follows for the year ended August 31, 2022:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Total
Program Services:						
Instructional and instructional related services	\$ 24,184,029	\$ 1,002,535	\$ 888,145	\$ 4,427,497	\$ 1,589,354	\$ 32,091,560
Instructional and school leadership	1,341,862	-	-	-	69,390	1,411,252
Support services - student based	2,542,135	287,846	1,845,962	8,295	242,393	4,926,631
Support services - nonstudent based	1,440,403	3,977,359	672,691	406,625	337,206	6,834,284
Community services	152,382	20,863	60,044	-	11,902	245,191
Total program services	29,660,811	5,288,603	3,466,842	4,842,417	2,250,245	45,508,918
Support Services:						
Management and general:						
Instructional and school leadership	2,306,860	-	-	-	119,292	2,426,152
Administrative support services	2,165,819	99,804	178,474	115,873	137,449	2,697,419
Support services - nonstudent based	532,866	1,346	514,216	-	216,617	1,265,045
Fundraising	105,581	-	-	-	5,460	111,041
Total support services	5,111,126	101,150	692,690	115,873	478,818	6,499,657
Total expenses	\$ 34,771,937	\$ 5,389,753	\$ 4,159,532	\$ 4,958,290	\$ 2,729,063	\$ 52,008,575

Trinity Basin Preparatory, Inc. and Affiliate
Notes to Consolidated Financial Statements

14. Liquidity and Availability of Resources

The School relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the School considers all expenditures related to its ongoing activities of education as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of the School's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

The School's financial assets available for general expenditure within one year of the consolidated statement of financial position date are as follows at August 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 11,358,171	\$ 18,861,414
Restricted cash and cash equivalents	795,367	462,953
Investments	10,598	921,058
Government grants receivable	<u>10,069,704</u>	<u>6,327,684</u>
Total financial assets	22,233,840	\$ 26,573,109
Less financial assets not available for general expenditure:		
Restricted cash and cash equivalents	<u>(795,367)</u>	<u>(462,953)</u>
Total financial assets available for general expenditure	<u><u>\$ 21,438,473</u></u>	<u><u>\$ 26,110,156</u></u>

15. Commitments and Contingencies

TBP receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment.

Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by TBP have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or other grantor agency.

Trinity Basin Preparatory, Inc. and Affiliate
Notes to Consolidated Financial Statements

16. Subsequent Events

On September 28, 2023, the School completed a transaction in which the AHEFC issued \$106,040,000 in series 2023A and 2023B Education Revenue Bonds (Series 2023 Bonds) and loaned the proceeds to the School. Wilmington Trust is the trustee for the bonds. The Series 2023 Bonds are collateralized by a pledge of revenue of the School and are guaranteed by the Permanent School Fund of the State of Texas. Bond proceeds were used to payoff the 2022 Series bonds assumed from HPA totaling \$47,715,785 and payoff the \$16,000,000 line of credit, both detailed in Note 7. The maturity of the bonds are as follows for the years ended August 31:

2024	\$	-
2025		1,705,000
2026		1,790,000
2027		1,880,000
2028		1,975,000
Thereafter		<u>98,690,000</u>
		<u>\$106,040,000</u>

Management has evaluated subsequent events through January 22, 2024, the date the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.

Supplemental Information and Compliance Reports

Trinity Basin Preparatory, Inc. and Affiliate
Consolidating Statement of Financial Position
August 31, 2023

	Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 11,358,171	\$ -	\$ -	\$ 11,358,171
Restricted cash and cash equivalents	75,498	719,869	-	795,367
Investments	10,598	-	-	10,598
Government grants receivable	10,069,704	-	-	10,069,704
Prepaid expense	507,045	99	-	507,144
Total current assets	22,021,016	719,968	-	22,740,984
Non-current assets:				
Other assets	26,452	-	-	26,452
Property and equipment, net	206,812,795	7,296,350	-	214,109,145
Note receivable - new market tax credit	6,058,000	-	-	6,058,000
Right-of-use assets - operating leases, net	409,713	-	-	409,713
Due to/due from	(936,228)	936,228	-	-
Total non-current assets	212,370,732	8,232,578	-	220,603,310
Total assets	\$ 234,391,748	\$ 8,952,546	\$ -	\$ 243,344,294
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 5,493,411	\$ -	\$ -	\$ 5,493,411
Accrued wages	5,900,000	-	-	5,900,000
Accrued expenses	129,773	60,000	-	189,773
Refundable advance	36,513	-	-	36,513
Long-term debt, current portion	1,445,000	-	-	1,445,000
Right-of-use liabilities - operating leases, current portion	386,506	-	-	386,506
Total current liabilities	13,391,203	60,000	-	13,451,203
Long-term liabilities:				
Lines of credit, net	16,000,000	-	-	16,000,000
Long-term debt - new market tax credit, net	-	8,013,143	-	8,013,143
Long-term debt, net	168,111,627	-	-	168,111,627
Right-of-use liabilities - operating leases, net	75,516	-	-	75,516
Total long-term liabilities	184,187,143	8,013,143	-	192,200,286
Total liabilities	197,578,346	8,073,143	-	205,651,489
Net assets:				
Without donor restrictions	10,300,593	879,403	-	11,179,996
With donor restrictions	26,512,809	-	-	26,512,809
Total net assets	36,813,402	879,403	-	37,692,805
Total liabilities and net assets	\$ 234,391,748	\$ 8,952,546	\$ -	\$ 243,344,294

Trinity Basin Preparatory, Inc. and Affiliate
Consolidating Statement of Financial Position
August 31, 2022

	Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 18,861,414	\$ -	\$ -	\$ 18,861,414
Restricted cash and cash equivalents	-	462,953	-	462,953
Investments	921,058	-	-	921,058
Government grants receivable	6,327,684	-	-	6,327,684
Prepaid expense	471,743	99	-	471,842
Total current assets	26,581,899	463,052	-	27,044,951
Non-current assets:				
Other assets	26,452	-	-	26,452
Note receivable - new market tax credit	6,058,000	-	-	6,058,000
Due to/due from	(840,000)	840,000	-	-
Property and equipment, net	114,639,094	7,449,793	-	122,088,887
Total non-current assets	119,883,546	8,289,793	-	128,173,339
Total assets	<u>\$ 146,465,445</u>	<u>\$ 8,752,845</u>	<u>\$ -</u>	<u>\$ 155,218,290</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 2,946,304	\$ -	\$ -	\$ 2,946,304
Accrued wages	3,599,999	-	-	3,599,999
Accrued expenses	55,081	50,000	-	105,081
Refundable advance	36,513	-	-	36,513
Deferred rent	40,000	-	-	40,000
Current maturities of long-term debt	1,385,000	-	-	1,385,000
Total current liabilities	8,062,897	50,000	-	8,112,897
Long-term liabilities:				
Deferred rent	50,000	-	-	50,000
Lines of credit, net	40,000,000	-	-	40,000,000
Long-term debt - new market tax credit, net	-	7,999,361	-	7,999,361
Long-term debt, net	62,324,217	-	-	62,324,217
Total long-term liabilities	102,374,217	7,999,361	-	110,373,578
Total liabilities	110,437,114	8,049,361	-	118,486,475
Net assets:				
Without donor restrictions	9,333,708	703,484	-	10,037,192
With donor restrictions	26,694,623	-	-	26,694,623
Total net assets	36,028,331	703,484	-	36,731,815
Total liabilities and net assets	<u>\$ 146,465,445</u>	<u>\$ 8,752,845</u>	<u>\$ -</u>	<u>\$ 155,218,290</u>

Trinity Basin Preparatory, Inc. and Affiliate
Consolidating Statement of Activities
Year Ended August 31, 2023

	Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
Revenue and support:				
Local support:				
5740 Other revenue from local sources	\$ 1,101,211	\$ 456,228	\$ (456,228)	\$ 1,101,211
5750 Food service activity and enterprising services revenue	41,593	-	-	41,593
Total local support	1,142,804	456,228	(456,228)	1,142,804
State program revenue:				
5811 Per Capita Apportionment	2,324,627	-	-	2,324,627
5812 Foundation School Program	48,626,436	-	-	48,626,436
5820 State Program Revenues Distributed by TEA	1,151,147	-	-	1,151,147
Total state program revenue	52,102,210	-	-	52,102,210
Federal program revenue:				
5921 National school breakfast and lunch program	3,434,777	-	-	3,434,777
5929 Federal revenues distributed by TEA	11,007,868	-	-	11,007,868
5932 Medicaid administration claiming program	20,745	-	-	20,745
Total federal program revenue	14,463,390	-	-	14,463,390
Total revenue and support	67,708,404	456,228	(456,228)	67,708,404
Expenses:				
11 Instruction	38,362,692	153,443	-	38,516,135
12 Instruction resources and media services	296,763	-	-	296,763
13 Curriculum development and instructional staff development	1,000,251	-	-	1,000,251
21 Instructional leadership	1,428,138	-	-	1,428,138
23 School leadership	2,896,232	-	-	2,896,232
31 Guidance, counseling, evaluation services	1,302,594	-	-	1,302,594
33 Health services	492,398	-	-	492,398
35 Food services	3,598,270	-	-	3,598,270
36 Extracurricular activities	609,883	-	-	609,883
41 General administration	3,249,401	10,000	-	3,259,401
51 Facilities maintenance and operations	7,260,520	-	(456,228)	6,804,292
52 Security	870,008	-	-	870,008
53 Data processing services	1,603,770	-	-	1,603,770
61 Community services	223,472	-	-	223,472
71 Debt service	3,628,901	116,866	-	3,745,767
81 Fundraising	100,040	-	-	100,040
Total expenses	66,923,333	280,309	(456,228)	66,747,414
Change in net assets	785,071	175,919	-	960,990
Net assets at beginning of year	36,028,331	703,484	-	36,731,815
Net assets at end of year	<u>\$ 36,813,402</u>	<u>\$ 879,403</u>	<u>\$ -</u>	<u>\$ 37,692,805</u>

Trinity Basin Preparatory, Inc. and Affiliate

Consolidating Statement of Activities

Year Ended August 31, 2022

	Trinity Basin Preparatory, Inc.	TBP Panola Project, Inc.	Eliminations	Total
Revenue and support:				
Local support:				
5740 Other revenue from local sources	\$ 600,332	\$ 360,000	\$ (360,000)	\$ 600,332
5750 Food service activity	10,216	-	-	10,216
Total local support	610,548	360,000	(360,000)	610,548
State program revenue:				
5811 Pe Capita Apportionment	2,279,199	-	-	2,279,199
5812 Foundation School Program	42,018,652	-	-	42,018,652
5820 State Program Revenues Distributed by TEA	207,868	-	-	207,868
5830 State Revenues from State of Texas Governmental Agencies	3,063	-	-	3,063
Total state program revenue	44,508,782	-	-	44,508,782
Federal program revenue:				
5920 ESEA Title I, Part A	2,790,463	-	-	2,790,463
5920 IDEA Part B, Formula	9,118,416	-	-	9,118,416
5920 IDEA Part B, Preschool	186,394	-	-	186,394
5920 Child Nutrition Program	6,766	-	-	6,766
5939 Federal Revenues Distributed by State of Texas Government Agencies (other than TEA)	205,184	-	-	205,184
Total federal program revenue	12,307,223	-	-	12,307,223
Total revenue and support	57,426,553	360,000	(360,000)	57,426,553
Expenses:				
11 Instruction	29,007,129	153,443	-	29,160,572
12 Instruction resources and media services	89,698	-	-	89,698
13 Curriculum development and instructional staff development	1,251,935	-	-	1,251,935
21 Instructional leadership	1,341,862	-	-	1,341,862
23 School leadership	2,306,860	-	-	2,306,860
31 Guidance, counseling, evaluation services	1,219,125	-	-	1,219,125
33 Health services	428,721	-	-	428,721
35 Food services	2,752,779	-	-	2,752,779
36 Extracurricular activities	283,613	-	-	283,613
41 General administration	2,544,970	15,000	-	2,559,970
51 Facilities maintenance and operations	5,861,285	-	(360,000)	5,501,285
52 Security	635,794	-	-	635,794
53 Data processing services	1,408,428	-	-	1,408,428
61 Community services	233,289	-	-	233,289
71 Debt service	2,612,197	116,866	-	2,729,063
81 Fundraising	105,581	-	-	105,581
Total expenses	52,083,266	285,309	(360,000)	52,008,575
Change in net assets	5,343,287	74,691	-	5,417,978
Net assets at beginning of year	30,685,044	628,793	-	31,313,837
Net assets at end of year	\$ 36,028,331	\$ 703,484	\$ -	\$ 36,731,815

Trinity Basin Preparatory, Inc. and Affiliate
Consolidated Schedule of Assets
August 31, 2023

Description	Ownership Interest	
	Local	State
1110 Cash	\$ -	\$ 12,153,538
1120 Investments	-	10,598
1510 Land	-	24,083,246
1520 Buildings and improvements	-	162,567,365
1539 Furniture and equipment	-	14,965,390
1541 Vehicles	-	499,493
1550 Right-of-use asset - operating leases	-	409,713
1580 CIP	-	29,838,974
	<u>\$ -</u>	<u>\$ 244,528,317</u>

Trinity Basin Preparatory, Inc. and Affiliate
Budgetary Comparison Schedule
Year Ended August 31, 2023

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenue and other support:				
5700 Local support	\$ 1,100,000	\$ 1,500,000	\$ 1,142,804	\$ (357,196)
5800 State program	47,500,000	50,950,000	52,102,210	1,152,210
5900 Federal program revenue	12,200,000	14,150,000	14,463,390	313,390
Total revenue and support	60,800,000	66,600,000	67,708,404	1,108,404
Expenses:				
11 Instruction	31,940,000	36,624,000	38,516,135	(1,892,135)
12 Instructional resources and media services	120,000	300,000	296,763	3,237
13 Curriculum development and instructional staff development	1,410,000	1,410,000	1,000,251	409,749
21 Instructional leadership	1,460,000	1,460,000	1,428,138	31,862
23 School leadership	2,540,000	2,793,000	2,896,232	(103,232)
31 Guidance, counseling and evaluation services	1,340,000	1,305,000	1,302,594	2,406
33 Health services	480,000	470,000	492,398	(22,398)
35 Food services	2,980,000	3,250,000	3,598,270	(348,270)
36 Extracurricular activities	270,000	666,000	609,883	56,117
41 General administration	2,840,000	3,323,000	3,259,401	63,599
51 Facilities maintenance and operations	6,930,000	6,971,000	6,804,292	166,708
52 Security	700,000	768,000	870,008	(102,008)
53 Data processing services	1,600,000	1,600,000	1,603,770	(3,770)
61 Community services	250,000	250,000	223,472	26,528
71 Debt service	3,020,000	4,000,000	3,745,767	254,233
81 Fundraising	120,000	110,000	100,040	9,960
Total expenses	58,000,000	65,300,000	66,747,414	(1,447,414)
Change in net assets	\$ 2,800,000	\$ 1,300,000	\$ 960,990	\$ (339,010)

Trinity Basin Preparatory, Inc. and Affiliate
Consolidated Schedule of Expenses
Year Ended August 31, 2023

Object Code	Description	Amount
6100	Payroll costs	\$ 43,809,654
6200	Professional and contracted services	7,881,754
6300	Supplies and materials	5,733,757
6400	Other operating expenses	5,576,482
6500	Debt service	3,745,767
		<u>\$ 66,747,414</u>

Trinity Basin Preparatory, Inc. and Affiliate
Education Programs Schedule
Year Ended August 31, 2023

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did the LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$6,987,991
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)	\$7,004,243
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year	\$1,388,214
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$1,509,462

Trinity Basin Preparatory, Inc. and Affiliate

Schedule of Real Property Ownership Interest

Year Ended August 31, 2023

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
WHEAT BLOCK ADDITION LOT E	400 Rand ST, Fort Worth TX 76103	\$ 20,200	\$ -	\$ 20,200	\$ -
ABSTRACT 490 TRACT 2B & 3	412 W Bolt ST, Fort Worth, TX 76110	-	-	-	-
ABSTRACT 1228 TRACT 40	4417 Panola Ave, Fort Worth, TX 76103	-	-	-	-
ABSTRACT 1228 TRACT 40A	4421 Panola Ave, Fort Worth TX 76103	-	-	-	-
ABSTRACT 1228 TRACT 41	413 Rand ST, Fort Worth, TX 76103	-	-	-	-
ABSTRACT 1228 TRACT 42	413 Rand ST, Fort Worth, TX 76103	-	-	-	-
ABSTRACT 1228 TRACT 42A	4401 Panola Ave, Fort Worth, TX 76103	5,420,482	-	5,420,482	-
BLOCK 7 LOT 50	6301 S Collins ST, Arlington TX 76018	886,445	-	886,445	-
SITE LOT B1	4000 May ST, Fort Worth, TX 76110	-	-	-	-
ADDITION BLOCK 9 LOT 20R	4001 May ST, Fort Worth, TX 76110	41,042	-	41,042	-
ADDITION BLOCK 13 LOT 1R2	621 Griggs ave, Fort Worth, TX 76103	5,485,241	-	5,485,241	-
PERSONAL PROPERTY TANGIBLE COMMERICAL	4400 Panola Ave, Fort Worth, TX 76103	9,053	-	9,053	-
PERSONAL PROPERTY TANGIBLE COMMERICAL	101 E Pafford ST, Fort Worth, TX 76110	9,053	-	9,053	-
ADDN BLOCK 1 LOT 1 PER PLAT D218045795	4401 Panola Ave, Fort Worth, TX 76103	4,441,173	-	4,441,173	-
ADDITION BLOCK 8 LOT 3R	4332 Panola Ave, Fort Worth, TX 76103	67,947	-	67,947	-
ADDN BLOCK 1 LOT 1 PLAT D221249709	412 W Bolt ST, Fort Worth, TX 76110	12,590,503	-	12,590,503	-
PERSONAL PROPERTY TANGIBLE COMMERICAL	808 N Ewing Ave, Dallas TX 75203	88,620	-	88,620	-
BLK 79/3060 LT A & W PT LT 2	314 N Ewing Ave, Dallas TX 75203	-	-	-	-
BLK 79/3060 W PT LT 3 ACS .3925	322 N Ewing Ave, Dallas TX 75203	-	-	-	-
SMITH, J S ADDITION Block 1 Lot 8	109 W PAFFORD ST / 80877914	12,900	-	12,900	-
SMITH, J S ADDITION Block 1 Lot 3 THRU 7 9 10 & 11R	100 W PAFFORD ST, FORT WORTH	7,319,645	-	7,319,645	-
SMITH, J S ADDITION Block 2 Lot 1 THRU 5 AIN: 39010----2----1----20	201 E PAFFORD ST, FORT WORTH	1,196,323	-	1,196,323	-
SMITH, J S ADDITION Block 2 Lot 6 AIN: 39010----2----6	200 E PAFFORD ST, FT WORTH	19,850	-	19,850	-
SMITH, J S ADDITION Block 2 Lot 7	8019 208 E PAFFORD ST FT WORTH	12,900	-	12,900	-
BROOKMEADOW ADDITION Block 12 Lot 57B	1218 E SUBLETT RD ARLINGTON	222,154	-	222,154	-
DIXON, L J ADDITION Block 1 Lot 1R	7225 CROWLEY RD FT WORTH	14,551,395	-	14,551,395	-
CASTLEBERRY BAPTIST CHURCH Block 1 Lot	1256 N JIM WRIGHT FWY, WHITE SETTLEMENT	25,226,975	-	25,226,975	-
WESTERN HILLS PARK ADDITION Lot 12-R1B	8300 WEST FWY, WHITE SETTLEMENT	6,737,030	-	6,737,030	-
CASTLEBERRY BAPTIST CHURCH Block 1 Lot	N JIM WRIGHT FWY, WHITE SETTLEMENT	296,302	-	296,302	-

Trinity Basin Preparatory, Inc. and Affiliate
Schedule of Related Party Transactions
Year Ended August 31, 2023

<u>Relation Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal year</u>	<u>Principal Balance Due</u>
None							

Trinity Basin Preparatory, Inc. and Affiliate
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2023

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During Fiscal Year</u>
None							

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors of
Trinity Basin Preparatory, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Trinity Basin Preparatory, Inc. (TBP) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2024. The financial statements of TBP Panola Project, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with TBP Panola Project, Inc.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TBP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TBP's internal control. Accordingly, we do not express an opinion on the effectiveness of TBP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TBP's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TBP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TBP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TBP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
January 22, 2024

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Trinity Basin Preparatory, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Trinity Basin Preparatory, Inc.'s (TBP) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TBP's major federal programs for the year ended August 31, 2023. TBP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, TBP complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TBP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of TBP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to TBP's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on TBP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about TBP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TBP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of TBP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of TBP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
January 22, 2024

Trinity Basin Preparatory, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program or cluster:	
Special Education Cluster	ALN 84.027A, 84.027X, 84.173
Education Stabilization Fund under the Coronavirus Aid, Relief, And Economic Security Act	ALN 84.425D, 84.425U, 84.425W
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None

Trinity Basin Preparatory, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2023

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal AL Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Passed through Texas Education Agency:			
National School Breakfast Program	10.553	714022	\$ 504,366
National School Lunch Program	10.555	713022	2,775,177
National School Lunch Program	10.555	-	132,832
Total Child Nutrition Cluster			3,412,375
Passed through Texas Department of Agriculture:			
Commodity Supplemental Food Program	10.565	-	141,261
Child Nutrition Discretionary Grants	10.579	-	13,972
Total U.S Department of Agriculture			3,567,608
U.S. Department of Education			
Passed through Texas Education Agency:			
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	21521001057813	3,179,177
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	21528001057813	2,595,932
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	21528042057813	673,416
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425W	21533002057813	2,459
Total ALN 84.425			6,450,984
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027A	226600010578136600	1,198,871
COVID-19 Special Education-Grants to States (IDEA, Part B)	84.027X	225350010578135350	21,328
Total ALN 84.027			1,220,199
Special Education-Preschool Grants (IDEA B Preschool)	84.173	236610010578136610	6,801
Total Special Education Cluster			1,227,000
Title I Grants to Local Educational Agencies	84.010	23610101057813	2,088,359
Charter School Program Grant	84.282	225901027110013	300,000
Grants for State Assessment and Related Activities	84.369	-	24,783
English Language Acquisition State Grants	84.365	23671001057813	299,536
Supporting Effective Instruction State Grants	84.367	23694501057813	253,009
Supporting Effective Instruction State Grants	84.367	226945797110034	100,000
Supporting Effective Instruction State Grants	84.367	226945837110006	9,000
Total ALN 84.367			362,009
Student Support and Academic Enrichment Program	84.424	22680101057813	122,366
Total ALN 84.424			122,366
Total U.S Department of Education			10,875,037
Total Expenditures of Federal Awards			\$ 14,442,645

See notes to schedule of federal awards

Trinity Basin Preparatory, Inc.
Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Trinity Basin Preparatory, Inc. (TBP). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TBP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of TBP.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. TBP has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the allowable indirect costs for each award as determined by the awarding agency.

2. Non-Cash Federal Awards

TBP received non-cash awards in the form of food commodities totaling \$141,261 for the year ended August 31, 2023.